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Spire developer Garrett Kelleher to meet with leaders of AFL-CIO pension investment trusts

Talks to center on retiring Shelbourne Development's loan with Anglo Irish Bank, pay off liens, restart work

By Mary Ellen Podmolik

Tribune reporter

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Chicago Spire developer Garrett Kelleher is scheduled to meet Monday with leaders of AFL-CIO pension investment trusts in what is being characterized as "advanced" talks regarding the planned skyscraper's funding.

Under discussion is a potential \$170 million land loan that would retire Shelbourne Development Group Inc.'s loan from Anglo Irish Bank, pay off liens and restart work on a project dormant for more than a year.

An agreement is uncertain, but a successful outcome would help solidify Kelleher's negotiating stance as the executive chairman of Shelbourne seeks construction funding for the twisting, 2,000-foot-high tower that would dominate Chicago's skyline.

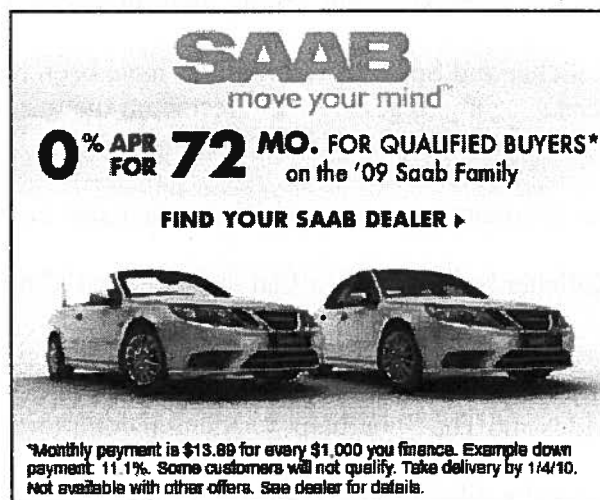
In March, the investment trusts and Shelbourne began to discuss the idea of tapping the funds to get the Spire off the ground. Those talks had cooled by summer, as the investment trusts signaled interest in helping foot the bill for an Olympic Village in Chicago.

The Spire "was in the No. 2 slot," prior to Chicago losing out on its bid to host the 2016 Olympics, said Tom Villanova, president of the Chicago & Cook County Building & Construction Trades Council, which represents 24 affiliated trades. "When I was sitting in Copenhagen and things went south, this moved to the No. 1 slot. We're way past the look-see stage. We're in the commitment stage now.

"They want us at the table. They don't have a lot of people at the table that can throw in the money that we can throw in."

A spokeswoman for Shelbourne confirmed Monday's meeting.

"This is a huge stride in moving the broader picture forward," she said. "(It's) a negotiating chip for a



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much larger conversation."

It also would generate positive publicity for Shelbourne and the Spire, which made headlines internationally when Bank of America Corp. filed suit in August against Shelbourne and Kelleher, accusing the developer of defaulting on a loan and saying it was due \$4.9 million. Shelbourne since has countersued the lender.

The deal now being studied would make the investment trusts the first-mortgage holder on the property, meaning that if the project fizzled, they would have the right to take possession of the land at 400 N. Lake Shore Drive, giving them control of a prime piece of real estate along Lake Michigan.

In addition to paying off the loan with the now-nationalized Anglo Irish Bank, estimated at \$64 million, the funds would be used to satisfy liens totaling almost \$19.6 million from firms that have worked on the project, including Spire architect Santiago Calatrava, who said he is owed \$11.3 million. Remaining funds would be used for such infrastructure improvements as bringing water and electricity to the site.

An AFL-CIO investment would require Shelbourne to make the project a 100 percent union job, creating an estimated 7.5 million man hours of work for local unions, some of which are dealing with 30 percent unemployment among their members, Villanova said.

Kelleher and Spire representatives have been making the rounds of local union halls in the past few weeks, trying to generate interest from the locals' pension funds as well, according to a source close to the discussions.

An announcement of a significant financial commitment is expected soon.

Kelleher has never specified the total cost of the Spire, but it is estimated to be less than \$2 billion.

The AFL-CIO has three investment trusts, and it is uncertain which might invest in the Spire. One of the entities, the Building Investment Trust, a pooled real estate fund, counts among its local projects The Tides and The Shoreham, residential complexes at Lakeshore East in Chicago.

mepodmolik@tribune.com

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